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# Prospects for Foreign Trade in

DILSEEDS AND DILSEED PRODUCTS

Foreign Agricultural Service
UNITED STATES DEPARTMENT OF AGRICULTURE
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# PROSPECTS FOR FOREIGN TRADE IN OILSEEDS AND OILSEED PRODUCTS

### SUMMARY

The United States in 1961-62 is expected to export record quantities of soybeans and edible vegetable oils and a near-record quantity of oilseed meals. Exports of flaxseed will be small, mainly reflecting reduced supplies. Exports of soybeans are being encouraged by the continued lack of alternative supplies from Communist China and expanding demand in Europe and Japan. Spain is expected to turn to the United States for larger quantities of soybean oil this year because of its reduced supplies of olive oil. Exports of edible oil under government programs will expand sharply this year.

Exportable supplies of oilseeds, fats, and oils other than drying oils from foreign countries in 1961-62 are about the same as the quantity exported last year. Reduced supplies of Philippine copra and perhaps edible vegetable oil from Argentina will offset larger supplies of peanuts from West Africa and perhaps India as well as slightly larger exports of palm and fish oils. Foreign exportable supplies of flaxseed and linseed oil will be down from last year because of reduced supplies in Canada and Argentina.

Table 1. - Fats and oils: Exports of selected fats and oils, 1957-61 and forecasts for 1962

Item	1957	1958	1959	1960	1961	Forecast 1962	1962 change from 1961
United States: 1/	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons
Lard	295	231	304	358	223	220	- 3
Tallow and grease	713	554	656	859	884	925	+ 41
Fish and marine oils Soybean and cottonseed oils	68 615	31 526	76 672	76 728	66 544	75 950	+ 9 +406
Soybeans (oil basis) · · · ·	469	470	605	777	718	960	+242
Butter (fat content): Australia New Zealand	58 134	57 161	75 179	59 145	65 150	65 150	0 0
Palm oil: Republic of the Congo Nigeria Malaya Indonesia	169 186 68 142	180 191 89 145	202 206 87 114	188 205 107 111	155 165 105 115		
Palm kernels and oils: Republic of the Congo	75	83	87	68	60	880	+ 30
Nigeria	209	222	217	211	205		
Former French West Africa	39	49	45	51	45		
Copra, coconut oil: Philippines	886	775	573	687	820	700	-120
Indonesia	247	142	128	160	175	175	0
Others	430	383	398	374	400	400	0

See footnotes at end of table.

Table 1. — Fats and oils: Exports of selected fats and oils, 1957-61 and forecasts for 1962 (Continued)

Item	1957	1958	1959	1960	1961	Forecast 1962	196 <b>2</b> change from 1961
	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons	1,000 tons
Fish oil: Peru	5 11	2 18	19 26	39 36	105 50	} 185	+ 30
Edible vegetable oils: China $\frac{2}{}$ Argentina $\frac{3}{}$ India $\frac{1}{.}$ , $\frac{4}{.}$ Canada $\frac{1}{.}$ , $\frac{5}{.}$ Nigeria $\frac{1}{.}$ Nigeria	61 4 37	405 113 3 56 252	$ \begin{array}{r} 460 \\ \underline{1/40} \\ 22 \\ 51 \\ 327 \end{array} $	$ \begin{array}{c c} 1/375 \\ \hline 1/46 \\ 32 \\ 26 \\ 217 \end{array} $	$ \begin{array}{c c} 1/100 \\ \hline 1/105 \\ 7 \\ 75 \\ 280 \end{array} $	$ \begin{array}{r} 1/100 \\ \hline 1/80 \\ 32 \\ 75 \\ 300 \end{array} $	0 - 25 + 25 0 + 20
Former French West Africa 6/	278	329	297	278	335	370	+ 35

<sup>1/</sup> Crop year ending September 30 in year shown. 2/ Includes oil equivalent of soybeans, peanuts, and other oilseeds plus exports of edible vegetable oils. 3/ Includes peanuts, sunflowerseed, cottonseed, and olive oils. 4/ Peanut oil. 5/ Rapeseed and oil, oil basis. 6/ Peanuts and peanut oil, oil basis.

### **CURRENT WORLD SITUATION**

### Production and Trade of Sino-Soviet Bloc

In 1961, for the third straight year, agricultural production in Communist China reportedly was besieged by a series of natural calamities. The major soybean production area of the northeast Mainland, however, had a close-to-normal growing season; thus China's 1961 soybean crop is believed to be slightly larger than the previous year's. Contrary to earlier reports, the Soviet Union's major oilseed crop—sunflowerseed—apparently suffered to some extent from drought, and although acreage was larger, production is expected to be down slightly from 1960. A third major component of the Soviet Bloc's oilseed supply is the combined sunflowerseed outturn of Bulgaria, Hungary, and Rumania. Production has increased sharply in Bulgaria and Rumania since 1957, and exports from these two countries, mainly to Western Europe, rose from about 15,000 tons (oil equivalent) in 1959 to about 50,000 in 1961. However, smaller sunflower crops in 1961 probably will curtail exports in 1961-62.

It appears that the Bloc's trade position in 1961-62 is not likely to change much from the year before when imports rose and exports fell. Although China's 1961 soybean crop was slightly larger than the previous year's, little change is expected in this year's export movement. There are several factors that will greatly influence China's position as an exporter of soybeans in 1961-62. China's efforts to generate foreign exchange by maintaining exports to Western markets collapsed last year, as evidenced by the small movement of soybeans to these countries; total exports fell even more sharply. China's need for foreign exchange to buy Western grain will be even more acute this year, but the regime's ability to bring domestic agricultural output under state control has weakened considerably with the recent shift away from the strict commune system. In addition, production of rapeseed and peanuts is substantially less than a year earlier. Also, with the prevailing food shortage,

it may not be expedient to take away from hungry people an agricultural commodity as valuable as soybeans. The announcement last spring by the Soviet Union that Communist China would not deliver any oilseeds or edible oils to that country in 1961 probably will be repeated this year.

With limited or no soybean supplies available from China in 1962, the Soviet Union will—as in 1961—supplement its nearly adequate domestic fats and oils supplies with imports from the Free World. Vegetable oil production probably will be slightly lower, for last year's sunflower crop was believed to have been down from the large outturn in 1960. Most of this decline, however, will be offset by more cottonseed, animal fats, and marine oils. Output of animal fats, particularly butter and lard, should continue to increase as the standard of living in the Soviet Union trends upward. The recent addition of whaling and fishing ships should further expand the Soviet's outturn of marine oil in 1962.

The Soviet Union's carryin of oilseeds this year probably was low, so imports may average slightly higher than in 1961. To partly offset the decline in imports from China last year, the Soviet Union found new sources and increased its imports from established suppliers. Through a trade agreement with Mali the Soviet Union purchased substantial quantities of peanuts. It also made sizable purchases of peanuts from the Sudan and copra from Indonesia. And for the first time it imported tallow direct from the United States—98,500 tons (U.S. export figure) between October 1960 and September 1961.

Table 2. - Soybeans: Chinese exports, by area and country, annual 1955 and 1958-61

Destination	Quantity				Percent of total					
	1955	1958	1959	1960	19611/	1955	1958	1959	1960	1961
	Mil.	Mil.	Mil.	Mil.	Mil.	Per-	Per-	Per-	Per-	Per-
	<u>bu.</u>	bu.	bu.	bu.	bu.	cent	cent	cent	cent	cent
Western Europe	5. 3	8.7	18. 2	23	$\frac{2}{11.5}$	13	20	30	56	82
Soviet Eastern Europe	9	11.8	16.4		F 11. 5	22	28	28	10	802
Soviet Union	17.8	17.6	23.5	13		42	41	40	32	
Japan	7.7	3. 3		(3/)	1.5	18	8			11
Other countries	2	1. 2	1.2	1	1	5	3	2	2	7
Total	42.0	42. 6	59. 3	41	14	100	100	100	100	100

<sup>1/</sup> Partly estimated. 2/ Probably all or nearly all to Western Europe. 3/5,400 bushels.

In 1961, Eastern Bloc countries purchased a small quantity of edible oil for dollars from the United States. This area traditionally imported soybeans from Communist China via the Suez Canal, and such exports in 1960-61 were substantially lower than the year before.

### Edible Vegetable Oils and Oilseeds

Canada.—In 1961, Canada produced 279,000 short tons of rapeseed, or about the same as the record crop of a year earlier and in sharp contrast to its other crops, which were mostly reduced by drought. The movement into export in 1961-62 is expected to be about the same as the previous year's record volume of about 75,000 tons, oil basis. With a large Canadian crop and increased supplies in Sweden and France, rapeseed prices in 1961-62 probably will average below those of the year before. Major buyers of Canadian 1960-61-crop rapeseed were Italy, France, and Japan.

With government encouragement to shift from wheat to oilseed crops, Canadian producers have increased rapeseed area from a 1950-54 average of 19,000 acres to nearly 745,000 acres last year.

Argentina. —Edible-oil exports from Argentina in October 1961-September 1962 probably will be down from the near-record movement of 105,000 tons a year ago. Although this year's exports will be partly determined by the size of the sunflower and peanut crops to be harvested in early 1962, edible-oil movement from Argentina between October 1961 and March 1962 should be considerably less than the 1960-61 volume of 55,000 tons in these months. Oil production from the crops harvested early in 1961 will be substantially less than the year before, and apparently most of the exportable supply moved out by the end of September 1961, leaving sharply reduced quantities for export in October 1961-March 1962. Even if the sunflower crop (the major Argentine edible-oil crop) to be harvested in December 1961-March 1962 should be somewhat larger than last year's, it is not expected that exports of edible oils in April-September 1962 will increase much, if any, over the large quantity, 50,000 tons, in 1961. Total exports in October-September of 1958-59 and 1959-60 were each somewhat less than 50,000 tons.

India.—According to preliminary estimates, India's 1961-62 peanut crop is 10 percent larger than the previous year's and a further increase is likely with later revisions of this estimate. While India probably will increase its peanut-oil exports this year, the amount of increase will be negligible because strong domestic demand will absorb the additional supplies. A larger amount of peanut cake and meal, however, is likely. As a result of the large outturn, domestic oilseeds and oil prices dropped sharply last fall, but they still are above world levels. The disparity between domestic and world prices has limited oil exports, as past government efforts to permit exports of expeller peanut and imports of copra only when they are tied to exports of peanut oil have not been successful.

Nigeria. —Nigeria's 1961-62 peanut crop is expected to total 1.3 million tons, unshelled basis. Purchases by the Nigerian Marketing Board, through which about three-fourths of the crop is sold for export, will be up by about 5 percent, or 15,000 tons, oil equivalent, from a year ago.

On the basis of the slightly larger crop and somewhat bigger stocks of peanuts last October 1, the oil equivalent of exports in October 1961-September 1962 may be up about 20,000 tons from a year earlier. Nigerian crushing mills did not crush a large part of their 1960-61 crop quota established by the Marketing Board. With small profit margins, the mills operated well below capacity through most of last year. As assistance, the government may authorize the Marketing Board to sell peanuts to the crushers at reduced prices this year.

Producer prices at Kano to be paid by the Board for peanuts of the 1961-62 crop were set at \$84 per ton — about \$9.40 below the price a year earlier. According to the Board, the producer-price and marketing expense has exceeded the return from peanut and peanut oil export sales in the past 2 years, and no increase in world prices is expected this year. In an effort to develop new markets, effective this year, foreign buyers can deal directly with the Lagos office of the Nigerian Produce Marketing Company, Ltd. Prior to this change, sales were handled exclusively by the company's office in the United Kingdom.

Nigeria and Senegal recently took steps to develop a common African policy with regard to the production and marketing of agricultural products. They anticipate that the strong ties they have had with their historic markets, the United Kingdom and France, soon may be changed by the rapid development of the European Common Market.

Senegal, Mali, Niger.—The exportable supply of 1961-crop peanuts from the former French West African countries of Senegal, Mali, and Niger will be up an estimated 35,000

tons (oil equivalent) from a year earlier. The commercial outturn of unshelled peanuts from the crops harvested last fall was an estimated 1.2 million tons, about 125,000 more than the year before.

At agreement prices which are usually well above the world market, France takes most of the peanuts and peanut oil exported by these countries. However, the dominant market role of France was altered somewhat last year by the signing of a trade agreement between Mali and the Soviet Bloc; as a result, Mali exported about 50,000 tons of peanuts to Eastern Europe and the USSR. As further evidence that these countries are concerned about their future trade position with the Common Market, the Governments of Niger and Senegal recently took steps to control the marketing of their peanut crops, much as in Nigeria's system. In Senegal, which accounts for 80 percent of the peanut outturn of these countries, producers will receive a fixed price from authorized dealers who will then sell to the government. Domestic crusher quotas will have priority over peanut exports.

As in previous years, France in 1961-62 will continue to purchase most of the Senegalese peanut crop at prices above world market levels. France also has agreed to buy 104,000 short tons of shelled peanuts from Niger at \$194 a ton, c.i.f. French ports. There is some question whether this quantity of peanuts will be available for export from Niger in 1961-62. The French purchase price is about \$13 above December quotes by resellers for Nigerian peanuts for February delivery, c.i.f. European ports.

Effective with the crop harvested in the fall of 1961, the Government of Niger appointed licensed dealers to handle the domestic marketing of peanuts. By the next season a semi-governmental marketing agency will eliminate the functions of private exporters. The objective of these measures is to assure a competitive position for these peanuts in world markets and, in cooperation with other African nations, to be able to present a united front in dealing with the European Common Market.

### Palm Oils

World exports of palm oils (coconut, palm, and palm kernel) are expected to decline in 1961-62 because of reduced supplies of Philippine copra. The drop in copra would reflect less rainfall during 1961. Shipments of palm and palm kernel oil probably will be slightly larger than the year before.

Exports of copra and coconut oil were up sharply in the first half of 1961 but dropped off in the last half. Coconut oil prices have declined since early 1960, since large copra supplies were available for export from the Far East and the recent downturn in exports has been offset by substantial stocks in most European consuming countries.

Palm and palm kernel exports will be slightly larger this year. Although the bearing of new palm plantings in the Congo should make more supplies available for export, the ability to move palm oil to port is still a problem. Nigeria's exports declined in 1961 as lower world prices prevailed for palm products. The decline in exports exceeded the reduced outturn, so larger supplies should be available in 1961-62.

### Marine Oils

The upward trend of marine oil exports in recent years is expected to continue in 1962, increased fish-oil shipments from Peru and the Republic of South Africa accounting for most of the rise. U.S. exports of fish oil also will increase with a large oil carryin available from a near-record outturn of a year earlier.

Western Europe, with above-average stocks of marine oils last fall, was faced with a further decline in margarine consumption and the increased use of chemicals for industrial products. World fish-oil prices declined steadily in the last half of 1961 and the outlook is for continued low prices.

With the emergence of Peru and the Republic of South Africa as major world exporters, Norway's position as a marine-oil supplier continues to decline. The Norwegian winter-herring catch last year was the smallest since the near failure of 1934. The sale of a whaling factory ship and its Antarctic catch quota to Japan will lower Norway's whale-oil production this year, and Norway will continue to increase its imports of marine oils in order to fulfill trade commitments with the Soviet Union and other European countries.

The world outturn of whale and sperm oils was up about 35,000 tons in 1961, with Japan accounting for most of the increase. For the second year in a row the Soviet Union, which is rapidly expanding whaling and fishing operations, sold a large part of its Antarctic outturn of whale oil on the West European market.

### Production and Trade of Western Europe

The 1961-62 olive oil outturn of the Mediterranean Basin is estimated at 1.3 million tons, down 8 percent from a year earlier but slightly above the 1956-60 average. Major declines in Italy, Spain, and Tunisia more than offset a record crop in Greece and increased production in Libya and Turkey. Large carryin oil stocks last fall in Spain, Tunisia, and Italy will only partly offset lower 1961-62 production. Spain's olive oil exports for the November 1960-October 1961 year were only slightly lower than the 165,000 tons shipped a year earlier. Exports of olive oil from Spain are expected to continue heavy in 1961-62 and as a consequence vegetable oil imports are likely to increase.

Greater production of animal fats is expected in northwestern Europe in 1961-62. Large butter supplies will permit a further rise in per capita consumption of this product and tend to curtail the consumption of margarine and consequently the use of vegetable oils. On the other hand, in 1961-62 Europe may not be in a position—or have the price inducement—to reduce imports of edible vegetable oils and oilseeds, as happened last year. Rising incomes since World War II, also responsible for the expansion of livestock numbers and a greater demand for oilseed meal, have favored the increased per capita consumption of butter in Europe. In the same period, per capita consumption of margarine has gradually declined.

### OUTLOOK FOR U. S. EXPORTS

### Soybeans

Exports of U.S. soybeans in the October 1961-September 1962 marketing year are expected to set a new high of about 170 million bushels compared with 130 million last year and the previous record of 141 million 2 years ago.

Last year's exports were retarded by limited U.S. supplies and the sharp runup in world prices which began in December 1960 as it became evident that China's exports of beans would be down drastically from the 1959-60 level. Prices last spring and summer were far above the support for the 1961 U.S. crop, and as planting intentions indicated the likelihood of a sizable increase in U.S. supplies in 1961-62, foreign buyers deferred as much of their purchasing as possible while they waited for new-crop supplies. This has been evidenced by the fact that exports of new-crop soybeans so far this marketing year

have been somewhat above the heavy level of the comparable period last year—despite prices that were higher, though still well below prevailing prices last spring and summer. As U.S. prices during the rest of the current marketing year are expected to remain relatively stable, they will be far below the levels of the comparable period last year and should stimulate exports. In addition, as indicated earlier, exports from Communist China are not likely to vary much from last year's relatively meager level so foreign buyers will have to rely mainly on supplies from the United States.

Exports to Japan, the major single outlet for U.S. soybeans, are now beginning to benefit from the removal last July of import quotas on U.S. soybeans. This action probably did not help U.S. exports to Japan during the summer, for the Japanese apparently reduced their stocks and waited for lower priced beans from the new crop. Consequently, the full impact of their liberalization is only now being felt. Consumption of soybeans in Japan has expanded sharply in recent years in response to the country's booming economy and rising incomes. In addition, the Japanese-American Soybean Institute (a cooperative undertaking by the Foreign Agricultural Service and U.S. trade interests) has done much to encourage the importation of U.S. beans and has helped in the resolving of difficulties and misunderstandings that tended to restrict such imports. Similar cooperative activities conducted by the U.S. Soybean Council have done much to expand the market for U.S. soybeans and soybean products in Western Europe-for example, by helping to increase interest in soybean meal for feeding poultry in Italy as well as by effective market development work in Germany, Spain, and other European countries. At the present time, the Soybean Council has European office's in Italy, West Germany, the United Kingdom, Spain, Denmark, Belgium, and France.

### Oilseed Meals

Exports of oilseed meals in 1961-62 are estimated at about 725,000 tons compared with 671,000 last year and 867,000 in 1959-60. The peak quantity of 2 years ago reflected drought conditions in Europe, and as a consequence there was an unusually heavy movement of meal to that area. Excluding Spain, the movement of meal to Europe in 1961-62 probably will fall below last year's 325,000 tons, as that area will take most of its soybean meal in the form of soybeans. Exports of meal to Spain, however, probably will be greater than last year's 40,000 tons; the demand for meal is rising, and in future years increasing quantities will be taken as beans, since Spain is expanding its crushing facilities. Most of the meal that went there in the last 2 marketing years (44,000 tons in 1959-60) was purchased under ICA authorizations. At least some of the meal going out this year also will be government-financed.

The decline in exports of meal to Europe will be more than offset by expanded exports to Japan and probably to Canada. Up until last year Japan took practically no soybean meal from the United States, but it did take 63,000 tons in 1960-61. While most of the soybean meal obtained from U.S. soybeans crushed in Japan has been consumed in food, the demand for the use of this meal in feed is rising, and the Japanese are turning towards imports of meal. These imports are expected to double this year. Canada is likely to increase its imports of meal substantially over last year's 177,000 tons, mainly because drought conditions are expanding the demand for feed.

### Soybean and Cottonseed Oils

U.S. exports of soybean and cottonseed oils in 1961-62 are estimated at 1.9 billion pounds compared with 1.1 billion last year and the previous record of nearly 1.5 billion attained 2 years ago. While exports for dollars and under government programs each are expected to increase substantially, the percentage rise in program exports will be greater.

Program exports are expected to comprise over 55 percent of the total compared with 49 percent last year. Exports to Pakistan, Iran, Egypt and Israel, under Title I of Public Law 480 (sales for local currencies) will be bigger than last year. Also, there is a program of 110 million pounds for Turkey this year compared with no program last year. These increases, plus some others, including sales for longterm credit under Title IV of P. L. 480, are expected to more than offset the lack of programs with Spain and Greece, which last year accounted together for program exports of approximately 200 million pounds. In addition, the U.S. Government under Title III of Public Law 480 is donating approximately 455 million pounds of edible oil, compared with about 45 million last year, to U.S. voluntary relief agencies for distribution abroad.

Nearly all the anticipated increase in exports for dollars will go to Spain, reflecting a sharp rise in total shipments to that country as well as a shift from exports under programs

Table 3. - Prices of selected oils and soybeans, c.i.f. European ports, 1955-61

Period	Soybean oil, American crude, bulk	Cotton seed oil, American BPSY, bulk	Peanut oil, Br. W. African crude, bulk	Straits	Linseed oil, Argentine, bulk	Soybeans, American No. 2 yellow, bulk
1955	Cents per pound 13.3 15.4 13.9 11.8 10.5 10.1	Cents per pound 12.9 16.6 15.9 1/ 13.2 11.6 10.7	Cents per_pound 13.1 16.7 16.5 12.6 13.7 14.8	Cents per pound 11.5 11.7 13.7 16.8 13.6	Cents per pound 11.2 14.9 12.2 12.0 11.2 11.5	Dollars per bushel 3.03 3.14 2.88 2.57 2.55 2.50
1959-60: OctDec JanMar AprJune July-Sept	9. 6 9. 2 9. 5 10. 5	10.4 10.3 10.8 <u>2</u> / 10.5	13. 2 15. 3 15. 2 15. 1	16. 7 16. 4 14. 2 12. 3	12. 4 11. 3 12. 1	2. 55 2. 51 2. 51 2. 50
1960-61: OctDec JanMar AprJune July-Sept	11. 4 13. 4 14. 1 12. 4	11.0 13.2 15.9 14.7	13.8 16.0 15.8 14.3	11.7 11.7 11.0 10.5	10.9 12.1 12.2 13.4	2. 47 3. 04 3. 38 3/ 3. 00
1961-62: October November December	12. 2 11. 9 11. 8	13. 9 14. 1	13. 6 13. 7 14. 2	10. 1 10. 1 9. 9	13. 1 12. 8 13. 1	2. 67 2. 71 2. 74

 $<sup>\</sup>underline{1}$ / Six-month average.  $\underline{2}$ / Two-month average.  $\underline{3}$ / July.

Table 4. — Prices of selected meals, c.i.f. European ports and U.S. soybean meal Decatur, 1955-61

and U.S. Soybean meal Decatur, 1955-61								
	c.	Decatur						
Period	Peanut meal,	Linseed meal,	Soybean meal,	Soybean meal,				
	Nigerian,	Argentine	Canadian,	44%, bulk,				
	56%, bagged	39%, bagged	45%, bagged	unrestricted				
1955	U.S. dol. per short ton 101.89 99.40 90.08 78.97 91.67 88.87	U.S. dol.  per short ton  94.75  95.48  77.57  68.36  88.38  79.52	U.S. dol. per short ton 92.73 89.41 81.63 85.08 85.78 82.17	U.S. dol. per short ton 56.87 51.29 47.06 55.96 56.45 53.13				
1959-60: October-December January-March April-June July-September	95. 89	96.71	87.81	57. 93				
	86. 38	83.07	86.90	58. 28				
	88. 89	80.50	82.13	54. 40				
	93. 61	80.72	81.49	51. 60				
1960-61: October-December January-March April-June July-September	86. 59	73.81	78.18	48. 23				
	83. 92	71.86	87.82	60. 43				
	80. 75	72.19	95.40	69. 31				
	84. 27	83.57	89.65	64. 49				
1961-62: October	84. 25	83.30	85.87	55.80				
	88. 27	83.06	90.02	59.30				
	89. 37	78.75	89.32	62.00				

to exports for dollars. Of last year's 288 million pounds shipped to Spain, only 133 million were for dollars; the remainder was obtained under Title I. Since olive oil commands a large premium over soybean oil, Spain has an incentive to export olive oil and import a larger quantity of soybean oil with the foreign exchange obtained from the olive oil exports. In addition, the work of the U.S. Soybean Council has increased soybean oil's consumer appeal in Spain.

The efforts of the U.S. trade working in cooperation with the U.S. Department of Agriculture also have been instrumental in first opening and then expanding the market for U.S. soybean oil in Pakistan, Egypt, Israel, Iran, Peru, and other countries. In addition to the offices listed under the section on soybeans there are Soybean Council offices in Pakistan, India, Peru, Colombia, Turkey, Yugoslavia, Egypt, Iran, and Israel. A large part of their activities is promotional but they also give technical assistance when necessary.

Through the joint market development efforts of the Foreign Agricultural Service and the U.S. Soybean Council, India under Title I imported some U.S. soybean oil for the first time in history last year. Under the market development program, a U.S. oil technician was on hand to assist the handling and processing of the soybean oil into vanaspati, a hy-

drogenated product similar to shortening. As India is not likely to be able to expand domestic production in line with the probable rise in demand, it may require large quantities of program oil from the United States.

### Flaxseed

World production of flaxseed in 1961 is estimated at 113 million bushels, a decline of 11 million from the previous year and 19 million below the 1955-59 average of 132 million. The flaxseed crops of the United States and Canada were sharply curtailed by low soil moisture at planting time and drought conditions during the growing season, thus offsetting the increase in Argentina's crop. World exports in 1962 of flaxseed and seed equivalent of linseed oil, mostly from last year's production, will probably decline sharply from the estimated 50 million bushels shipped in 1961. European stocks of linseed oil were greatly reduced by late 1961, and purchases for future delivery this year were limited as buyers awaited reports on Argentina's crop.

With limited exportable supplies available from the world's 1961 outturn, current world prices for flaxseed and linseed oil are well above a year earlier and will continue strong at least until 1962-crop supplies from the United States and Canada become available next summer. Higher prices could further hasten the declining importance of linseed oil as a drying agent, particularly in highly industrialized areas such as the West European countries and the United States.

<u>United States.</u> —U.S. output of flaxseed in 1961 was 22 million bushels, nearly 9 million less than in 1960 as unfavorable growing conditions cut the crop. Total U.S. flaxseed supply for the 1961-62 marketing year (July-June) is 27 million bushels. Exports will total about 2 million bushels, compared with 7 million last year, for the remaining supply will be needed for domestic use as well as for a small carryout. The season's average price received by farmers for 1961 crop flaxseed is \$3.24 per bushel, well above the \$2.80 support.

Argentina.—Reflecting a 13-percent increase in acreage and a recovery from last year's low yield, Argentina's 1961-62 flaxseed outturn is officially placed at 27.6 million bushels, up 25 percent from the previous year. However, with negligible carryin stocks as of December 1, 1961 (the beginning of the Argentine marketing year), Argentina's total supply of flaxseed and linseed oil is not likely to exceed 30 million bushels—a decline of 4 million from a year earlier. Thus, exports in 1961-62 probably will fall below the estimated 28 million bushels of 1960-61.

<u>Canada</u>.—Total flaxseed supply in Canada on August 1, 1961, the beginning of the current marketing year, totaled 23 million bushels—about 5 million less than a year earlier. The 1961 crop of 15 million bushels (about 8 million less than in 1960) was hit by intense drought, and in addition acreage fell 8 percent below the previous year's as low moisture reserves probably prompted growers to raise more wheat. Because of the reduced supply, exports of flaxseed in 1961-62 may not equal the estimated 13 million bushels shipped a year earlier.

A short wheat crop in 1961, large wheat purchases by Communist China in 1961, negotiations for additional large purchases by that country in 1962, and a continuation of low moisture reserves could encourage a further shift from flaxseed to wheat plantings in Canada in 1962

<u>India</u>. —The 1961 flaxseed crop of 16 million bushels in India was down only slightly from a year earlier. Except for 1958, India's annual flaxseed outturn since 1953 has re-

mained within a range of 15 million to 18 million bushels. Exports of linseed oil have been very small in recent years; a rising domestic demand, mainly for use as an edible oil, readily consumes total output. A growing population and rising income level should perpetuate this situation in future years.

### PROPOSED COMMON MARKET FATS AND OILS POLICY

The Commission of the European Economic Community (EEC) last summer presented its proposed common policy for fats and oils. The proposal is now awaiting consideration by the EEC Council of Ministers, who will make the final decision. (The Council is an institution of the Common Market whose members are national representatives. A member of each national government sits in the Council. At the present time, decisions must be unanimous, but this method will be progressively replaced by majority voting. Even after the transition to majority voting, however, modifications in any proposals probably will still require a unanimous vote.)

The key features of the proposed plan are as follows:

- 1. Guaranteed prices to growers for principal oilseeds and olive oil produced in the EEC and in the Associated Overseas Territories (AOT).
- 2. A system of deficiency payments to producers in member countries, with market prices permitted to seek their own level.

Deficiency payments on Italian olive oil will be reduced gradually as the production and marketing of olive oil are improved and as changes are made in the general economic structure of the Italian area now dependent on olive oil production. (No provision is included for EEC financial aid to Greek olive oil producers.) The Commission states that the Italian olive oil problem will have to be resolved cooperatively by the Italian Government and the Commission. The relationship between Greece and the EEC is to be determined by the joint Greece-EEC Association Committee.

Funds to cover the deficiency payments are to come from a variable excise tax to be levied on EEC-produced and imported oilseeds and oils. The Commission maintains that the excise tax will be relatively small because of the large number of units over which it will be spread.

- 3. Payments to (AOT) peanut producers (mainly those countries which were formerly French West Africa) for a limited quantity of peanuts and for a limited number of years. (These may be supplemented in certain cases by assistance for "adaptation to the conditions of the world market.") These features, however, can be renegotiated so that payments could be extended almost indefinitely. The principal objectives of the payments will be to improve production and marketing and to promote economic adjustments. Other oils, mainly palm oil, are not now considered to need guaranteed prices, but this matter has been left open.
- 4. Tariffs as provided for in the proposed Common External Tariff: no duty on oil seeds, fish oil, and oilseed meals; 10 percent on crude soybean and cottonseed oil for edible use and 15 percent on refined oil; 5 percent on crude linseed oil and 8 percent on refined; 20 percent on lard, 10 percent on edible tallow, and 2 percent on inedible tallow. (The United States is now negotiating with the Common Market countries in an effort to get reductions where possible in the proposed common external tariffs.)

5. As regards edible lard and tallow, the proposals provided also that "care should be taken that imports are carried out in a manner avoiding the disturbance of the market for pork and beef.") (This phrase probably is intended to suggest import regulations similar to those for pork and beef.)

### SELECTED PUBLICATIONS

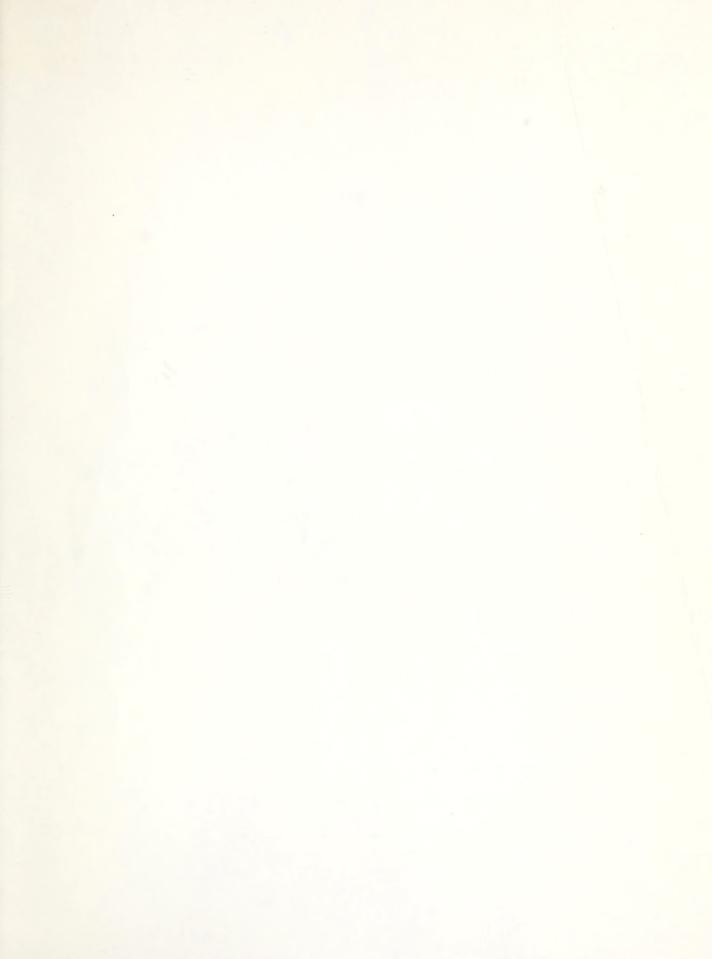
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